EXHIBIT B

The Aristotle Corporation

2004 Annual Report

July 20, 2005

Dear Stockholders:

I am pleased to issue the 2004 Annual Report of The Aristotle Corporation.

For the year ended December 31, 2004, your Company's net sales increased 7.3% to $175.1 million, earnings from operations increased 11.2% to $24.3 million and net earnings increased 46.7% to $17.6 million, from the 2003 calendar year. Complementing the earnings growth, net working capital increased in 2004 by more than 14.0% to $53.4 million, and stockholders' equity increased by 18.1% to $70.7 million. At the same time, selling and administrative expenses, as a percentage of net sales, declined by 60 basis points, while gross margins remained equivalent. Utilizable cash flow retained in Aristotle was applied primarily to reduce its long-term debt by $6.3 million, and to pay $8.6 million in preferred stock dividends during 2004.

Aristotle's 2004 results were accomplished in markets concentrated primarily in the K-12 school market which continued to be burdened by budgetary constraints at the state and local levels. While signs of improvement in the K-12 sector have appeared thus far in 2005, be assured that Aristotle is vigilant in monitoring the education funding landscape.

Adding to your Company's positive growth pattern was the further expansion of its Nasco and Simulaids health care education and training businesses. As a consequence, Aristotle is pleased to report that it has broken ground on a new 80,000 square foot manufacturing and distribution center in Saugerties, N.Y. to replace its current 55,000 square foot Simulaids facility; it is anticipated that the new plant will commence operations in the first quarter of 2006. In addition, your Company continued to be opportunistic in its acquisition quest, as two excellent transactions were completed in the 2004 third quarter, CPR Prompt and Ginsberg Scientific, both of which have been smoothly integrated into Aristotle's historic operations and are currently performing at levels exceeding expectations.

Separately, as previously reported, the first three months of 2005 have shown a rise of 7.0% in net sales, 2.2% in earnings from operations and 4.7% in net earnings over the same period of 2004; net working capital and stockholders' equity have grown $8.2 million and $1.2 million, respectively, since the end of 2004. These results are, however, not necessarily indicative of those which would be realized for the entire 2005 calendar year.

Your Company's EBITDA (that is, earnings before interest expense, income taxes, other income and expense, depreciation and amortization) increased 10.6% to $26.1 million from calendar 2003 to calendar 2004; and EBITDA grew 2.3% to $5.9 million in the quarter ended March 31, 2005 from the same period in calendar 2004. While the non-GAAP presentation of EBITDA is not intended to supercede or replace Aristotle's reported GAAP results, it is designed to supplement the overall understanding of your Company's financial results. Your attention is directed to a reconciliation of the 2004 vs. 2003 GAAP to non-GAAP results on page 12 of your Company's Form 10K which is a part of this Annual Report, and to page 11 of your Company's 2005 first quarter Form 10-Q which was filed with the Securities and Exchange Commission on May 12, 2005; each of those documents is available on the SEC's website (www.sec.gov), as well as your Company's website (www.aristotlecorp.net).

In reviewing this Annual Report, please note that, although accounting convention requires that your Company's earnings be reported on an after-tax basis, cash flow benefited by $7.4 million in 2004 (compared to $8.1 million in 2003) from the utilization of Federal net operating tax loss carryforwards ("NOLs"). That is, by using its NOL's, your Company retained $7.4 million in cash which would have otherwise been used to pay Federal income taxes. Except for Federal alternative minimum tax obligations arising from limitations on the utilization of NOL's, your Company anticipates that the use of available NOL's to offset future Federal taxable income will result in Aristotle not using its cash resources to pay Federal income taxes through 2006. At December 31, 2004, your Company carried on its balance sheet a deferred tax asset of $20.4 million, net of a valuation allowance of $7.7 million. Substantially all of this net deferred tax asset relates to NOL's;

the valuation allowance has been established to reflect the estimate of NOL's that could expire unused. At March 31, 2005, the net deferred tax asset was $18.9 million, of which $15.2 million relates to the NOL's.

I invite you to attend the Annual Meeting scheduled to be held at 9:30 A.M. on Wednesday, August 31, 2005 at the Hyatt Regency Hotel in Old Greenwich, CT to consider the election of directors of your Company. The proposed slate includes two new directors, Ira Harkavy and John Whritner. Ira Harkavy is one of the nation's most distinguished educators, lending his ideas and voice as a teacher, lecturer and writer on education reform throughout the world. Ira, whose career in academia spans almost 30 years, is currently serving as an Associate Vice President, and as Director, Center for Community Partnerships, at the University of Pennsylvania. John Whritner, who served as a director of Nasco International prior to the 2002 merger from mid-1998, has spent more than 42 years in the education sector, 26 of which as a superintendent of schools serving in three different districts, and has been recognized on numerous occasions as a leading U.S. educator.

At the same time, on behalf of your Company, I want to offer sincere appreciation to Sharon Oster and John Crawford who are not on the Board's slate of directors at this year's Annual Meeting. Sharon and John have each provided outstanding stewardship and dedication to the stockholders of Aristotle in their various capacities over many years pre- and post-merger.

As always, I invite you to call upon me or any member of the senior management group in Stamford, CT (203/358-8000) or Fort Atkinson, WI (920/563-2446) with any questions, comments and suggestions.

Thank you for your continued interest in Aristotle.

Sincerely,

Steven B. Lapin
President & COO

PART I

ITEM 1. BUSINESS

COMPANY OVERVIEW

The Aristotle Corporation ("Aristotle") and its subsidiaries (together with Aristotle, the "Company"), founded in 1986, and headquartered in Stamford, CT, is a leading manufacturer and global distributor of educational, health, medical technology and agricultural products. A selection of over 80,000 items is offered, primarily through more than 45 separate catalogs carrying the brand of Nasco (founded in 1941), as well as those bearing the brands of Life/Form®, Whirl-Pak®, Simulaids, Triarco, Summit Learning, Hubbard Scientific, Scott Resources, Spectrum Educational Supplies, Haan Crafts, To-Sew, CPR Prompt® and Ginsberg Scientific. Products include educational materials and supplies for substantially all K-12 curricula, molded plastics, biological materials and items for the agricultural, senior care and food industries. In addition, the Company offers simulation kits and manikins used for training in cardiopulmonary resuscitation and the fire and emergency rescue and patient care fields. The Company also markets proprietary product lines that provide exclusive distribution rights throughout all of its catalogs. The proprietary product lines are developed internally through the Company's research and development efforts and acquired externally by licensing rights from third parties.

Prior to June 17, 2002, Aristotle was a holding company which, through its subsidiaries, Simulaids, Inc. ("Simulaids") and Safe Passage International, Inc. ("Safe Passage"), conducted business in two segments, the medical education and training products market and the computer-based training market. On June 17, 2002, Aristotle merged (the "Merger") with Nasco International, Inc. ("Nasco"), an indirect subsidiary of Geneve Corporation ("Geneve"), a privately-held diversified financial holding company. Pursuant to the Merger, the separate corporate existence of Nasco ceased and Aristotle was the surviving entity. Immediately following the Merger, Aristotle's business was comprised of the operations of the Nasco group of companies, Simulaids and Safe Passage. Due to the relative sizes of the parties and conditions to the Merger, the transaction was accounted for as a reverse acquisition using the purchase method of accounting under U.S. generally accepted accounting principles ("GAAP"). Accordingly, for accounting and reporting purposes, Nasco is deemed to be the acquiring company, and financial information reported for periods prior to the Merger is that of Nasco. In applying purchase accounting to the Merger, the assets and liabilities of Aristotle were adjusted to their fair market values at June 17, 2002. This included recognition of a significant deferred tax asset of approximately $30.7 million, which was principally attributable to Aristotle's Federal net operating tax loss carryforwards. As a result of such recognition, Aristotle's pre-merger goodwill and long-term assets of $8.3 million were reduced to zero and negative goodwill of $20.2 million was recognized as an extraordinary gain at the Merger date.

ACQUISITIONS AND DIVESTITURES

On September 17, 2004, Aristotle purchased certain assets of the science product line of Ginsberg Scientific Company and GSC International, Inc. (collectively referred to as "Ginsberg") for $1.8 million. Ginsberg is a manufacturer and distributor of products and kits designed to demonstrate certain science concepts for students in grades 5-12. The Ginsberg offerings complement the science product lines manufactured and distributed by the Company in the educational segment. The results of Ginsberg's operations have been included in the Company's consolidated financial statements since the date of such acquisition. The purchase price allocation resulted in goodwill of $1.0 million attributable to the educational segment.

On August 11, 2004, Aristotle purchased certain assets of the CPR Prompt product line from Cardiac Science, Inc. for $1.9 million. The CPR Prompt product line is comprised of a number of products, primarily training manikins, used in the instruction of cardiopulmonary resuscitation. The CPR Prompt product line complements product lines manufactured and distributed by the Company in the educational segment. The results of CPR Prompt's operations have been included in the Company's consolidated financial statements since the date of such acquisition. The purchase price allocation resulted in goodwill of $1.0 million attributable to the educational segment.